

State of Connecticut

NANCY WYMAN
COMPTROLLER



MARK E. OJAKIAN
DEPUTY COMPTROLLER

Hartford

Testimony Before Finance Revenue & Bonding Committee State Comptroller Nancy S. Wyman February 9, 2009

Good morning Chairwoman Daily, Chairman Staples, Senator Roraback, Representative Candelora and distinguished members of the Finance, Revenue, & Bonding Committee. Thank you for the opportunity to submit comments on two proposals on today's agenda.

First, I would like to comment on **Raised Senate Bill 815** "*An Act Concerning A Moratorium On Business Tax Credits*" and to commend the Chairs for raising this bill. The bill before you places a moratorium on corporate tax credits for a two year period and sunsets the moratorium beginning in tax year 2011. I think this is a great step in the right direction as we attempt to address the State's fiscal downturn. I would like to take this opportunity to suggest an expansion of this proposal beyond a two year temporary moratorium and use this as an opportunity to introduce a sunset provision for 2011 and utilize this time period to do a full review and determine if these tax credits are justified as it applies to many of the credits and exemptions currently on the tax code.

The General Assembly approved the use of Result Based Accountability for the spending side of the budget and the Appropriations Committee is currently undergoing expanded Result Based Accountability activities with state agencies to improve programmatic budgeting; however "tax expenditures" which total \$4.9 billion in taxpayer dollars are not subject to any biennial review despite their tremendous cost to the revenue side of the State's budget.

The Administration has spoken of transparency, of shared sacrifice and of the need "to reform government". We know that this problem cannot be solved by contracting the size of government alone and as you know, in the tax area these same principles need to be applied in this economic time. We cannot make the most informed decisions without understanding both the spending and tax sides of the budget.

The Governor in her budget has also proposed two corporate tax changes, 1) capping Film tax at 30 million; and 2) two-year suspension of the Historic Home & Structure Tax credit totaling 35 million in savings of each of the next two fiscal years. Again, this is a "peek under the tent" approach to tax credits and exemptions that is insufficient for our current economic times.

Available information about the companies claiming these tax credits is limited as is information on what return on "investment" the State is receiving for hundreds of millions of dollars in foregone revenue. Many states (New York, New Jersey, California, and several others) have already approved measures to eliminate or cap credits and I believe Connecticut would be wise to consider similar measures.

I believe that a sunset would allow benefactors to unveil themselves to legislators and justify their exemptions/credits to the Committee of cognizance.

Secondly, I will briefly speak to **Raised House Bill 6348** "*An Concerning Corporation Business Tax Credits*". The proposal would cap the allowable business credit at 100 million dollars. As stated earlier I wholeheartedly support stronger provisions for these credits and encourage the Legislature to approve measures that 1) increase the required information before these credits are approved, 2) work with the administering agencies to improve the criteria for approval, and 3) biennial review to ensure that the rationale and objective for the credit is being fulfilled and that the State is achieving the state goals, i.e. value from the foregone revenue.

I thank you for the opportunity to comment on these proposals, and I would welcome the opportunity to discuss these matters further with any members in the future.